

SaskWater

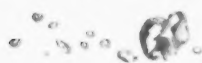


Annual Report 2010

SaskWater



the
clear
choice



Annual Report 2010

About SaskWater

SaskWater is Saskatchewan's commercial Crown water utility, helping communities, First Nations and industry gain access to reliable and professional water and wastewater services.

SaskWater provides professional water and wastewater services to 57 communities, seven rural municipalities, 85 rural pipeline groups, 14 industrial and approximately 200 commercial and end user customers *

The corporation owns seven water treatment plants, three wastewater facilities, 38 pump stations and over 800 km of pipeline. SaskWater also maintains customer-owned systems and provides operator training to 39 Saskatchewan First Nations communities.

SaskWater has defined four measurable strategic objectives to guide the corporation: Succeeding Financially, Growing the Business, Achieving Business Excellence, and Valuing Employees.

Corporate profile

SaskWater is committed to providing the highest level of service to its customers. That promise is reflected in the corporation's Vision, Mission and Values.

Vision to be Saskatchewan's water and wastewater utility of choice.

Mission to provide reliable and professional water and wastewater services for Saskatchewan.

Values Integrity, Professionalism, Sense of Community and Innovation.

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* Please note that in 2010 SaskWater initiated a new customer classification policy which included the creation of a "commercial" category. As a result of this change, many customers previously reported as "industrial" are now classed as "commercial" customers. Also, any rural customers that have been identified as having more than one end user are now classed as a "rural pipeline group". As a result, customer counts are reported differently in the 2010 Annual Report as compared to the 2009 Annual Report.

The Clear Choice



Minister's Message

As a Crown corporation, SaskWater is working diligently to support our growing economy and steadily increasing population.

In 2010, the corporation generated a net income of \$224,000. This is only the third year SaskWater has earned a surplus since being re-mandated as a commercial Crown in 2002, and the first time ever that back-to-back surpluses have been achieved.

Even more significantly, SaskWater spent a record \$24.4 million in capital projects in 2010, over three times the five-year average investment. This supported projects for expanding industrial clients, growing communities, and infrastructure renewal.

The corporation's biennial Customer Satisfaction Survey was completed in 2010 and highlighted the importance SaskWater places on good customer service. Of the customers surveyed, 88.5% rated their overall satisfaction as 7 or higher on a scale of 1-10.

In closing, I want to sincerely thank the employees of SaskWater for their dedication and commitment to providing safe, reliable drinking water and other water related services and for their commitment to excellence.

I am pleased to present SaskWater's 2010 Annual Report.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Dustin Duncan'.

Dustin Duncan
Minister Responsible for Saskatchewan Water Corporation

Letter of transmittal

Moose Jaw, March 2011

To His Honour

Dr. Gordon L. Barnhart

Lieutenant Governor of Saskatchewan
Province of Saskatchewan

Dear Sir:

It is my honour to submit herewith the annual report of SaskWater for the year ending December 31, 2010.

The annual report includes the financial statements, duly certified by auditors for the corporation, in the form approved by the Treasury Board and in accordance with the Saskatchewan Water Corporation Act.

I have the honour to be your obedient servant.

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SaskWater Successes



Letter to Stakeholders

As a commercial Crown water utility, SaskWater provides water service solutions to a range of geographically dispersed customers across the province. We provide safe, reliable drinking water to a majority of our customers as well as non-potable water to our industrial customers.

For the second year in a row, and third time since being re-mandated a commercial Crown corporation in 2002, SaskWater posted a profit. The corporation's net income for 2010 was \$224,000. SaskWater continues to make progress in transitioning to an organization that can generate sustainable financial results to support capital investments and rejuvenation.

In total, SaskWater supplied 20.7 billion litres of water in 2010 to its water and wastewater services customers, including 5.4 billion litres of high-quality drinking water, 14.2 billion litres of non-potable water to industrial clients and 1.1 billion litres of wastewater. We expect volumes to exceed 30 billion litres of water in 2011 as major industrial customers complete project expansions.

SaskWater continues to support Saskatchewan communities as they make decisions to provide for growing populations and make upgrades to meet water quality regulations. We were pleased to sign a water supply agreement with the Town of Cupar and continue to work with Gravelbourg to upgrade their water treatment plant.

In 2010, SaskWater's work with the growing potash industry also significantly increased. The construction of a water supply system for The Mosaic Company, to allow for the expansion of its solution mine

near Belle Plaine, continued throughout 2010 and will be ready for commissioning in the spring of 2011. Also during 2010, Potash One Inc., BHP Billiton Canada Inc. (Jansen project) and VALE Potash Canada Limited signed project management agreements with SaskWater to explore water supply systems for potential new greenfield potash mines.

SaskWater took a step further in its presence in Saskatchewan's north this year. The Lac La Ronge Regional Water Corporation and SaskWater signed a certified operations and maintenance contract in September. SaskWater now operates the water treatment plant in La Ronge which supplies water to the Town of La Ronge, the Village of Air Ronge and the Lac La Ronge First Nation.

Water is becoming increasingly important to residents of Saskatchewan. SaskWater brings attention to this valuable resource with its "The value is clear" *value of water* campaign. This campaign was developed to create awareness and understanding of how and why water is valued as well as the value SaskWater provides as a water and wastewater services provider.

Looking to the future, we are focused on developing new business opportunities, finding efficiencies in cost management and reviewing our rate structure to ensure it is both fair to stakeholders and producing results to meet capital investment needs.

In 2010, SaskWater's Board of Directors underwent some changes. We want to thank and send best wishes to departed Board members Dr. Dena McMartin, Dennis Mainil and Guy Lariviere and welcome new member Jordan C. Bergermann.

Also in 2010, SaskWater experienced a change in leadership. The SaskWater Board of Directors would like to thank Stuart Kramer for his service as SaskWater President and wish him well in his retirement and welcome Doug Matthies to the position.

SaskWater's employees are committed to the role each of them plays in providing reliable and professional water and wastewater services to our customers. Our customers appreciate this focus and let us know in our 2010 Customer Satisfaction Survey with an overall satisfaction level of 88.5%. We are pleased with the results and the positive reflection on our employees.

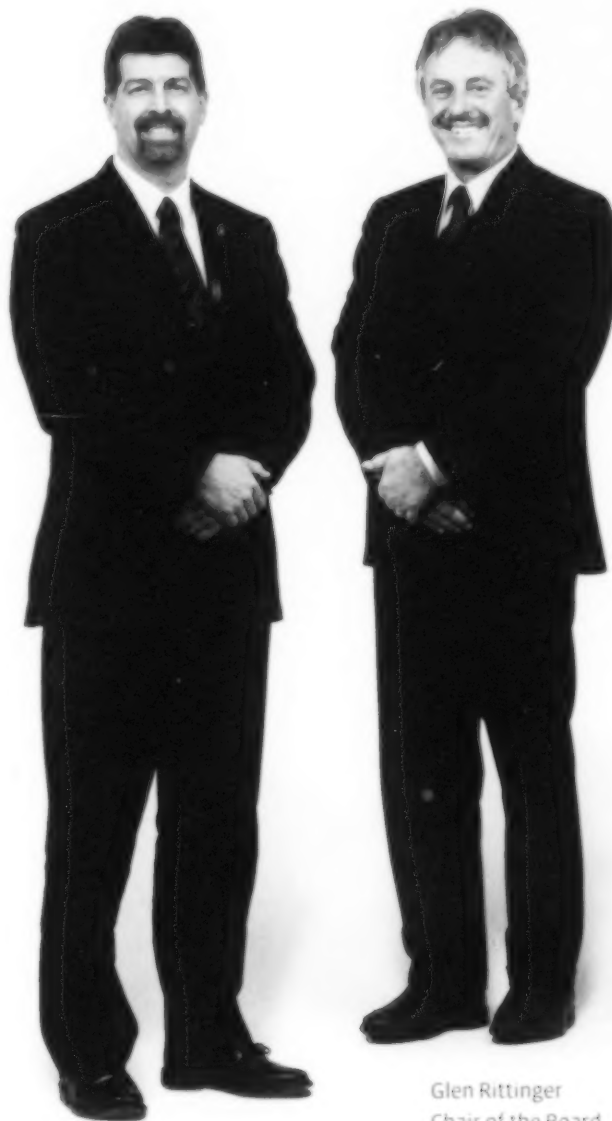
Thank you to our customers for their support and our employees for their dedication.



Doug Matthies
President



Glen Rittinger
Chair of the Board



Doug Matthies
President

Glen Rittinger
Chair of the Board

SaskWater Business

Systems Map

Current service in Saskatchewan

SaskWater currently owns and/or operates potable, non-potable and wastewater waterworks in the following locations/regions:

- 1 Pierceland
- 2 Jackfish Lake Area
- 3 Melfort Area
- 4 Wakaw-Humboldt Area
- 5 Saskatoon Area
- 6 Hanley-Watrous-Lanigan Area
- 7 Elbow
- 8 Buffalo Pound Area
- 9 Gravelbourg
- 10 White City/Emerald Park
- 11 Edenwold
- 12 Halbrite
- 13 Nipawin
- 14 Fort Qu'Appelle
- 15 La Ronge Area





Lines of Business

SaskWater's core lines of business include:

- potable (safe for human consumption) and non-potable water supply;
- wastewater treatment and management;
- certified operations and maintenance of customer-owned systems;
- project management;
- water leak detection;
- operator training services; and
- remote monitoring.

Potable water supply

SaskWater's potable water supply business refers to the delivery of water that is suitable for human consumption in accordance with applicable regulations. Municipalities represent the largest consumers of potable water. SaskWater also delivers potable water to rural pipeline groups and businesses.

The majority of SaskWater's municipal customers own and operate their local distribution systems and manage the relationship with their residents. SaskWater provides wholesale water delivery service to the community, which then delivers the service to its residents.

Stand-alone systems

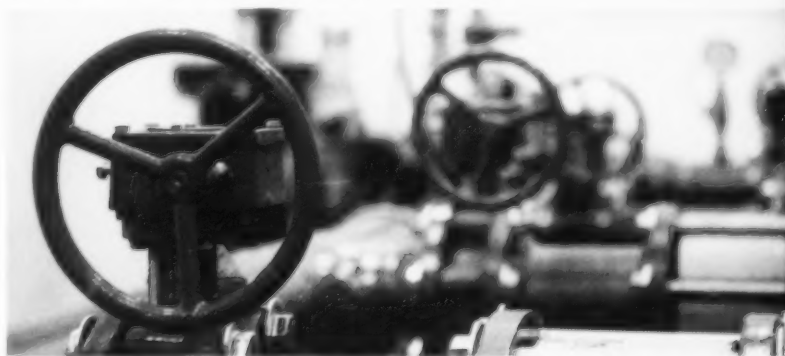
SaskWater's mandate enables the corporation to purchase and operate municipal waterworks or to construct new water supply and treatment systems. SaskWater currently owns and operates stand-alone systems in Elbow, White City, Pierceland, Edenwold and Gravelbourg.

In 2010, SaskWater signed a 20-year potable water supply agreement with the Town of Cupar. SaskWater will construct, own and operate the new water supply system, which is scheduled to be completed in early 2012.

Regional systems

For some rural communities, regional water systems are the most cost-effective and sustainable solutions to their water needs.

SaskWater owns and operates the Wakaw-Humboldt and Melfort regional potable water systems. These systems consist of a single treatment plant that produces and distributes potable water to surrounding communities through a pipeline network. Water treatment plants for these two



Pictured above are valves inside the Saskatoon Potable Water Supply System – Northeast Booster Pump Station

regional systems are located in Wakaw and Melfort. Together these systems supply potable water to 17 communities and several rural pipeline groups.

SaskWater also owns and operates two regional potable water systems where the water is purchased from other suppliers. SaskWater purchases potable water from the City of Saskatoon and delivers it to surrounding communities, industries and other

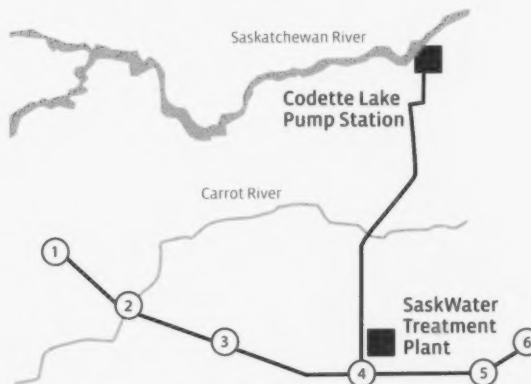
SaskWater Business

Saskatoon Area: Potable Water Supply System



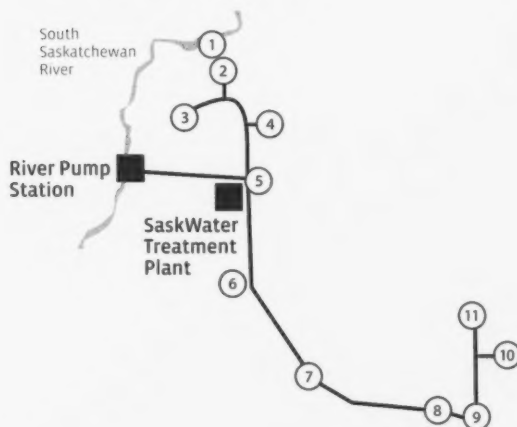
- | | | |
|-------------------|-----------------------------------|--------------------------|
| 1. Hague | 7. Akzo Chemicals | 13. Casa Rio/Wood Meadow |
| 2. Osler | 8. Prairie Pride Chick Sales Ltd. | 14. Sunset Estates |
| 3. Dalmeny | 9. Perkins Ag Marketing Inc. | 15. Clavet |
| 4. Warman | 10. Marsulex Inc. | 16. Bradwell |
| 5. Martensville | 11. Aberdeen | 17. Allan |
| 6. ERCO Worldwide | 12. Grasswood | 18. Elstow |

Melfort Area: Potable Water Supply System



- | |
|---------------------|
| 1. Weldon |
| 2. Kinistino |
| 3. Beatty |
| 4. Melfort |
| 5. Star City |
| 6. Star City Colony |

Wakaw-Humboldt Area: Potable Water Supply System



- | | |
|----------------------------|-----------------|
| 1. St. Louis | 7. Bruno |
| 2. Hoey | 8. Humboldt |
| 3. St. Isidore-de-Bellevue | 9. Muenster |
| 4. Domremy | 10. Annaheim |
| 5. Wakaw | 11. Lake Lenore |
| 6. Cudworth | |

Buffalo Pound Area: Potable Water Supply System



- | |
|----------------------------------|
| 1. Bethune |
| 2. Arm River Colony |
| 3. Disley |
| 4. Marquis |
| 5. Tuxford |
| 6. Buffalo Plains Cattle Company |
| 7. Yara Belle Plaine Inc. |
| 8. Canadian Salt |
| 9. Grand Coulee |

Saskatoon Area: Non-Potable Water Supply System



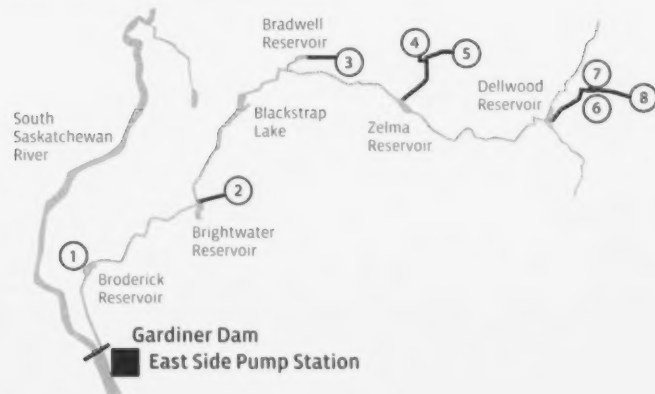
1. Agrium Potash
2. Vanscoy
3. PCS Cory and Cory Cogen
4. Cedar Villa

5. Riverside Estates
6. Golf Courses (WGCC/SGCC/Petrill)
7. Cargill

Regina East: Non-Potable Water Supply System



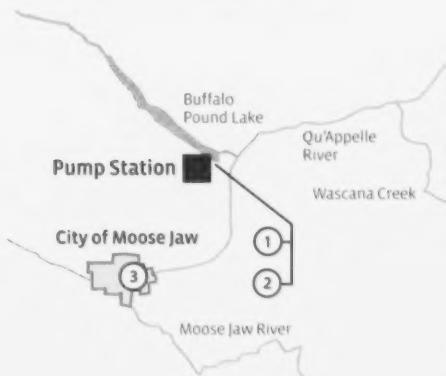
Saskatoon Southeast: Non-Potable Water Supply System



1. Broderick
2. Hanley
3. PCS Allan
4. Mosaic Potash Colonsay ULC

5. Viscount
6. PCS Lanigan
7. Guernsey
8. Lanigan

Buffalo Pound Area: Non-Potable Water Supply System



1. Terra Grain Fuels Inc.
2. Yara Belle Plaine Inc.
3. Temple Gardens Mineral Spa

SaskWater Business

commercial businesses, and pipeline groups through an extensive pipeline network. SaskWater also purchases potable water from the Buffalo Pound Water Administration Board and the City of Regina, sourced from the Buffalo Pound Treatment Plant, and delivers it to surrounding communities and industries.

In 2010, SaskWater delivered 5.4 billion litres of high quality drinking water.

Non-potable water supply

SaskWater's non-potable water supply business refers to the delivery of water that is considered not suitable for human consumption in accordance with applicable regulations.

The majority of SaskWater's non-potable water supply is delivered in large volumes to industrial customers for processing and manufacturing operations, including potash mines and fertilizer manufacturers.

Municipal customers also purchase non-potable water from SaskWater. These customers own water treatment facilities and perform their own treatment processes prior to residential delivery.

SaskWater currently owns and operates non-potable water systems in the areas surrounding Saskatoon, Buffalo Pound Lake and Regina.

In 2010, SaskWater delivered 14.2 billion litres of non-potable water.

Wastewater treatment and management

An emerging issue in water management is the need for environmentally sustainable wastewater treatment systems. SaskWater currently owns and operates wastewater facilities in Nipawin and Pierceland, and the Echo Regional Wastewater facility in Fort Qu'Appelle.

In 2010, a new wastewater agreement was signed for the Echo Regional Wastewater facility, to add the Resort Villages of Fort San and B-Say-Tah and the RM of North Qu'Appelle to the system which already served the Town of Fort Qu'Appelle.

Effluent irrigation to woodlots is an emerging innovation for disposal of sewage effluent from wastewater treatment systems. The main benefits are reduced environmental impacts, the potential for zero discharge into surface water bodies, and a significantly lower cost solution when compared to traditional mechanical/chemical methods. An added benefit is reduced land use when compared to standard effluent irrigation onto crop land.

In partnership with the City of Moose Jaw, Communities of Tomorrow, Prairie Adaptation Research Collaborative (PARC), the Ministry of



A pipeline is installed along Hwy 5, east of Saskatoon, to connect SaskWater's northeast system to the east system.

Agriculture, and the Agroforestry Development Centre (ADC), SaskWater is developing a demonstration project in the existing Baildon irrigation area. The demonstration project will assist in developing alternative disposal strategies to meet new and upcoming stringent effluent discharge regulations.

In 2010, work was undertaken related to land preparation, weed control management, design, tendering and award for supply and installation of the irrigation system. Installation of the entire irrigation system and the planting of poplar and willow rooted trees are scheduled for the spring of 2011. The demonstration project will be run over a period of approximately five years while data is collected and analyzed for implementation into communities.

Certified operations and maintenance (COM)

SaskWater contracts with 13 customers to provide certified operations and maintenance of their water and wastewater systems, including:

- water supply works;
- water treatment plants;
- storage facilities;
- distribution systems; and
- wastewater collection and treatment facilities.

The above services are supervised or performed by certified operators.

We also provide regulatory reporting and consultation, emergency planning, and customer support services.



The Saskatoon Potable Water Supply System – Northeast Booster Pump Station supplies water to the Town of Aberdeen and the Highway 41 Water Utility

SaskWater is able to offer the services of its qualified certified operators to customers located near our existing operating centres.

In 2010, SaskWater signed a new COM agreement with the Lac La Ronge Regional Water Corporation and renewed agreements with the North Central Rural Pipeline Association, the Village of Vanscoy, the Village of Edenwold and the Village of Elbow.



SaskWater Business

Project management

SaskWater provides project management services, when appropriate, to plan and manage the design and construction of water and wastewater infrastructure projects.

In 2010, SaskWater's project management activities were significantly increased to support the potash industry as companies investigate water supplies for potential new mines.

Northern activities

SaskWater plays a role in northern Saskatchewan, planning and managing the design and construction of water and wastewater infrastructure on behalf of the Ministry of Municipal Affairs.

SaskWater provides ongoing technical advice to northern communities for the expansion and maintenance of water and wastewater infrastructure, including responding to community emergencies related to that infrastructure.

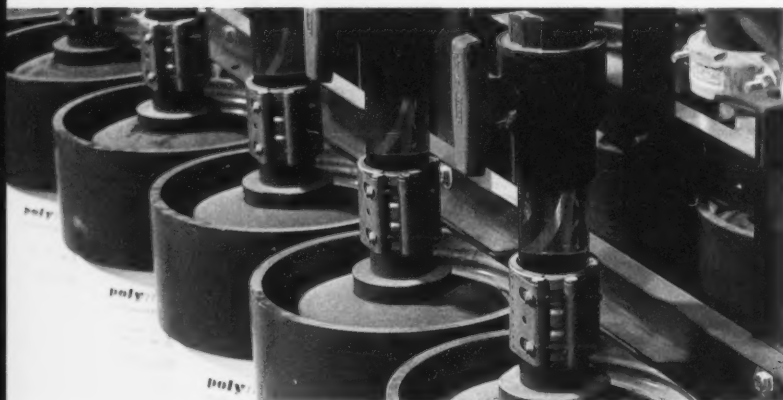
Water and wastewater training

SaskWater works on behalf of INAC (Indian and Northern Affairs Canada) to provide operating training to Saskatchewan First Nations. In 2010, SaskWater trained approximately 80 water and wastewater operators at 39 First Nations communities.

The goal of SaskWater's training program is to assist in providing a safe water supply to residents and to safeguard their valuable water and wastewater infrastructure investment. The program began in 1978 and has evolved and expanded over the years to suit the specific water and wastewater operational needs of First Nations communities as they adapt to frequently changing technology and increasingly stringent regulatory requirements.

Benefits to First Nations communities include:

- enhanced quality of water and wastewater operation;
- emergency technical assistance as required;
- limited service disruptions and threats to public water quality and supply;
- progressive operator development, including certification tutorial support; and,
- annual water consumption records collection and reporting representation at project management team meetings on behalf of First Nations receiving new facilities or significant facility upgrades and, upon request, participation in relevant stakeholder meetings.



Pictured above are membrane filters in the La Ronge water treatment plant.

Remote monitoring

Partnering with TransGas, SaskWater uses a Supervisory Control and Data Acquisition (SCADA) system to remotely monitor 35 of SaskWater's owned and contracted systems across the province 24 hours a day, 365 days a year.

SCADA helps SaskWater improve services and reduce costs. Operating water and wastewater systems for communities in a province the size of Saskatchewan can be challenging. SaskWater serves approximately 50,000 people in 57 communities in a province that covers 140,000 square kilometres.

By remotely monitoring SaskWater facilities, cost for travel to sites is reduced and field staff can focus more time on preventative maintenance and facility improvements, providing a higher level of service to our customers.

Water leak detection

In 2009, SaskWater expanded its service offerings to include water leak detection. Using the leak noise correlator technology of the Echologics LeakFinderRT, SaskWater operators can detect subsurface water leaks or conduct leak audits on distribution systems.

Adding this service strengthens SaskWater's commitment to provide safe, quality water to Saskatchewan communities as leaks of any size can damage infrastructure, contaminate a water supply, deprive a community of considerable revenue and waste a valuable natural resource.



SaskWater uses the Echologics LeakFinderRT to detect water leaks on distribution systems.

In 2010, water leak detection services were provided to several communities including Ceylon, Muskeg Lake Cree Nation and Kenaston.



Potash Industry

In 2010, SaskWater's business activities were significantly increased to support the potash industry as companies continue to investigate water supplies for potential new mines and expansion projects for existing mines.

Throughout the year, Potash One Inc., BHP Billiton Canada Inc. (Jansen project) and VALE Potash Canada Limited signed project management agreements with SaskWater. SaskWater's project management services include working with environmental regulators to obtain approvals as well as planning and managing the design and construction of water infrastructure projects. SaskWater has also had initial discussions with other potential mine developers.



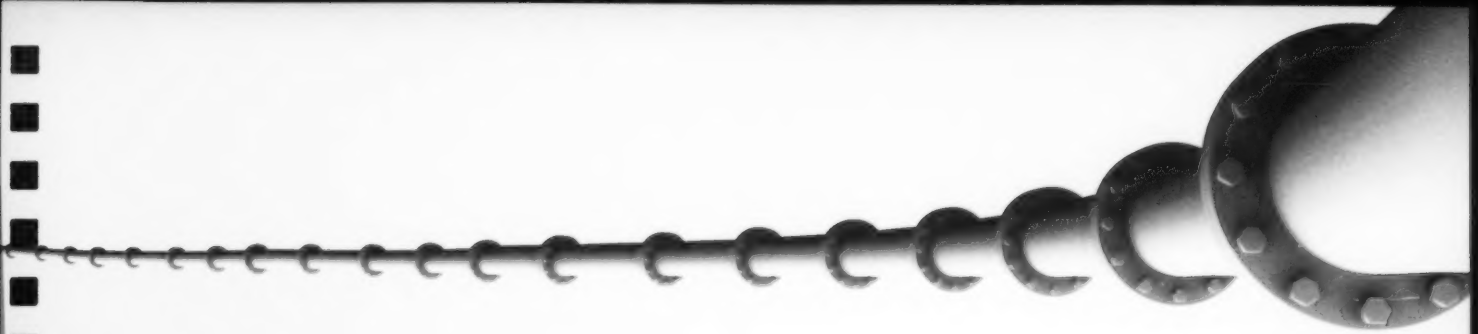
A new pump station was built at Buffalo Pound Lake to supply water to Mosaic's Belle Plaine potash mine.



Pictured above is an aerial view of Mosaic's Belle Plaine potash mine

In January 2011, Potash One was purchased by K+S Potash Canada GP, the Canadian arm of Europe's largest potash producer. They plan to build a greenfield solution potash mine north of Buffalo Pound Lake in the RM of Dufferin. BHP Billiton's greenfield potash mine is proposed for construction north of Jansen, and VALE's potential mine would be located east of Regina. SaskWater will work with these companies throughout 2011 as they continue to investigate, develop and plan for construction. When final decisions are made on whether or not they will proceed with the mines, SaskWater is prepared to construct the water supply systems and supply water for the ongoing operation of the mines.

SaskWater's largest potash customer, The Mosaic Company, plans to take water for an expansion to its solution mine near Belle Plaine in the second quarter of 2011. SaskWater and Mosaic Belle Plaine signed a water supply agreement in July of 2009 to accommodate the expansion to the mine. Work throughout 2010 involved construction of a new lake



pump station and intake on Buffalo Pound Lake, and 18 km of pipeline to connect with Mosaic's Belle Plaine mine site.

SaskWater has been supplying water to Saskatchewan's potash industry for over 40 years. Currently SaskWater provides service to Mosaic's Colonsay mine, Agrium at Vanscoy, and PotashCorp Cory, Allan and Lanigan. In 2010, these five mines used approximately 7.2 million litres of non-potable water.

In total, SaskWater delivered 14.2 billion litres of non-potable water in 2010, a 16 per cent increase over 2009 due in part to the recovery of the potash industry, which used 37.29 per cent more water than in 2009.

Including the potash industry, SaskWater's industrial customers make up two-thirds of the corporation's total water volumes. The majority of SaskWater's non-potable water supply is delivered in large volumes to industrial customers for processing and manufacturing operations in the mining sector, fertilizer production, power production, food processing and agriculture; in the chemical and ethanol industries; and for irrigation on several golf courses. SaskWater currently owns and operates non-potable water systems in the areas surrounding Saskatoon, Buffalo Pound Lake and Regina.



Ductile iron pipe (below) was installed to connect the intake at Buffalo Pound Lake with Mosaic's Belle Plaine mine site 18 km away. This photo shows a section of land after the pipeline was installed.



Lac La Ronge Regional Water Corporation

It started as a project management agreement and now it's the largest certified operations and maintenance contract for SaskWater to date.

On September 7, 2010, a five-year certified operations and maintenance (COM) contract between the Lac La Ronge Regional Water Corporation (LLRRWC) and SaskWater was signed. SaskWater now operates the regional water treatment plant and other distribution facilities serving the Town of La Ronge, the Village of Air Ronge and the Lac La Ronge First Nation. LLRRWC is a partnership established between the three communities to jointly address their water supply issues.



Pictured above is a pressure gauge on filter skids in the La Ronge water treatment plant.

The LLRRWC water supply system project began in 2007. At the request of the communities affected, SaskWater's Northern Engineering unit became involved as project manager to assist in determining the best joint solution.

"La Ronge needed upgrades in terms of treatment process because they weren't meeting provincial standards. Air Ronge was closer to the provincial standards, however, they had some capacity issues,


and the band was at the point because of growth that they needed additional capacity and treatment," said SaskWater Manager, Northern Engineering Glen Gillis in an interview for a Municipal Affairs video about the project. "So rather than having three treatment plants in such a short area, we did a cost analysis evaluation to determine that it was better to upgrade one and use the other ones as booster stations and re-chlorination facilities."

The solution selected included the expansion of La Ronge's water treatment plant, the conversion of Air Ronge's water treatment plant to a water distribution plant, construction of new pipelines to connect the communities and modification to the water distribution system serving the three communities.

"In order to grow your community, be a healthy community, potable water is definitely a basic line of life for everyone. A project like this allows professionals to come into our community... and when you have that need for technical expertise it grows the education fields even further," said La Ronge Mayor, Thomas Sierzycki in the Municipal Affairs video. "When you promote that, the economy gets better, the socioeconomic status gets better, so it's definitely kind of a kindling of a larger fire for the betterment of all people in the North."

Lac La Ronge First Nation Councillor Sam Roberts was also interviewed about the project for the Municipal Affairs video.

"It's an exciting time for us. This will be a good thing for the First Nations people," said Roberts. "It's real exciting to look at what's the next thing we're going to tackle, what's the next project we're going to work together on. It seems we get a lot more done when we work together."



Construction began in September 2008 with the installation of the pipeline. Pilot tests of three separate water treatment processes were set up in the La Ronge water treatment plant between June 1, 2008 and November 15, 2008 and the design of the upgrade to the plant was started at the end of 2008.

The design work for the following items was completed in June 2009: La Ronge water treatment plant upgrade, a new raw water intake structure for the La Ronge water treatment plant, conversion of the Air Ronge water treatment plant and decommissioning of the Air Ronge intake and pump station. New water pipeline construction and modifications to existing pipelines were completed in August 2009, and construction of the regional water treatment plant and other facilities began at the same time.

In February 2010, SaskWater submitted a proposal to provide certified operations and maintenance services and was awarded the contract with LLRRWC. The contract includes operation and maintenance of the facilities including the LLRRWC lake intake, water plant and distribution pumping in La Ronge as well as the LLRRWC pump station no. 1 reservoir, distribution pumping and truck fill in Air Ronge. Three positions were added to operate the new water treatment plant.

Commissioning of the system involves many phases. Water from the new treatment process equipment was fully supplying La Ronge in October 2010, and Air Ronge and the Lac La Ronge First Nation in early 2011. Construction is expected to be complete in June 2011.

The project was funded by the communities involved, the Northern Municipal Trust Account, Indian and Northern Affairs Canada (INAC) and Infrastructure Canada. The total cost is estimated at \$12.14 million.

"This project is very important for our community. It gives us a way to fund it that the tax payers can afford. It gives us a lot of security for the future growth of our community. Hopefully we'll be able to have a good water supply here that meets standards for many, many years," said Mayor of Air Ronge Gordon Stomp in the Municipal Affairs video.

The Municipal Affairs video on the LLRRWC project is posted at www.municipal.gov.sk.ca/Funding/MovingSaskatchewanForward/SharingStories-videos.



SaskWater Technologist Regional Systems Cole Paproski records filter operational field data at the water treatment plant in La Ronge.

Value of Water

The value is clear.

The true value of water involves delivery from the source to the tap.

SaskWater owns, operates and maintains an elaborate network of water pipelines, pump stations and water treatment plants to get safe, reliable water to Saskatchewan communities. Our commitment is to ensure that high quality water continues to flow today, and well into the future.

At SaskWater we deliver more than water. We contribute to good health, support the growing provincial economy, and enhance the quality of life Saskatchewan residents enjoy.

This was the main messaging of SaskWater's 2010 "The value is clear" value of water campaign. The goal of the campaign was to create a higher awareness and understanding of how and why water is valued as well as the value SaskWater provides as a water and wastewater services provider.

Voice, online ads were posted to The Weather Network, Facebook, MySask and Google, and value of water messaging was sent to customers using handbills.

A "The value is clear" quiz was created and posted online at www.saskwater.com/conservation. Each person who answered eight out of ten questions right received a SaskWater Save Water Kit. Thirty-eight kits were mailed out in 2010, with spikes in submissions during "The value is clear" online advertising pushes.

In response to the question, *How do you value water?*, the following comments were received.

"Water is important to our everyday living. Every being, plant and animal needs this to survive. Water needs to be conserved and not wasted so these resources can continue."

"Very much. We have a rain barrel and only water our grass first thing in the morning or in the evening"

"Water is a basic human need. Access to clean, useable drinking water now and for future generations is very important. We can all do our part to conserve water and protect the environment. Ensuring we all have access to clean drinking water is something we can all help protect."

"It would be impossible to exist without a clean water supply. We need to conserve it so we have it for years to come. Life would be very difficult without it."

"I value it highly. I just think of all the things I use water for and if I didn't have water for a day, it would be tough. After looking at your site, it has given me ideas on how I can conserve in my home and teach my spouse/kids to do the same."

"I learned a lot and will be conserving water more readily. We live on a farm and there is a lot more I



SaskWater's "The value is clear" billboard in Davidson was seen by hundreds of motorists every day

During the campaign, "The value is clear" billboards were placed in Belle Plaine, Davidson, Hague, Vanscoy and Balgonie from September to December 2010; value of water themed ads were placed in the SUMA Urban

can do to save our water. It is something we cannot live without and this survey is very enlightening."

"Personally, I value it a lot. On a recent visit to Mexico, I realized how lucky we are to have such clean, fresh water at our disposal. Even in a major city, the quality sure can differ. Can't even imagine what it would be like in the poverty-stricken areas of developing nations... It's something that I think everyone needs to be cognizant of, and stop taking for granted."

As a part of the education portion of the campaign and to celebrate Earth Day on April 22, 2010, SaskWater invited approximately 60 Grade 5 classes in 38 customer communities to participate in a value of water poster contest. Students created posters that represented the true value of water to them using the title *I Value Water* or *I Will Conserve Water*. SaskWater staff then reviewed the contest entries and selected 12 posters to be featured in the 2011 calendar. The selected posters are posted at www.saskwater.com/conservation.

The 2011 "The value is clear" calendar was distributed in early December to customers, government contacts, non-government contacts, stakeholders, employees, and the teachers and students who participated.

"Thanks for putting something like this on so our students have an outlet for their work," replied one teacher whose class participated.

SaskWater also sponsored Engineers Without Borders (EWB) workshops presented by members of the University of Saskatchewan and University of Regina chapters at schools in eight communities throughout April and May 2010.

The EWB Water for the World workshops reached approximately 700 students in a variety of grades

During the interactive workshop students built a mini water filter out of a 2-litre pop bottle and layers of sand and gravel, learned about water issues in Canada and how gaining access to safe water is a challenge for people in developing communities.

Normally, without outside funding, the EWB chapters are not able to deliver their school outreach program beyond the limits of Saskatoon and Regina. SaskWater was pleased to help this group expand their audience to reach our rural customers.



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SaskWater. The clear choice.



www.saskwater.com



This value of water campaign ad was used throughout 2010 in the SUMA Urban Voice, in online advertising and on customer handbills.

As Saskatchewan's commercial Crown water utility, SaskWater knows that without safe, reliable water services, our people and communities – like most vibrant, living things – cannot survive. As such, we remain steadfast in our commitment to help communities and people understand the true value of water.

"The value is clear" campaign will continue through 2011.

Employees / Community



At SaskWater, employees are the corporation's most important asset and provide a valuable connection to our customers, industry contacts and the general public.

Headquartered in Moose Jaw, SaskWater has approximately 100 employees working in 13 provincial locations: Moose Jaw, Watrous, Prince Albert, Saskatoon, Hanley, Wakaw, Melfort, Regina, White City, Elbow, Gravelbourg, Jackfish Lake and La Ronge.

At SaskWater, we operate in a unionized environment; 66 of our permanent employees are members of the Communications, Energy and Paperworkers Union, Local 820.

Diversity

At SaskWater, we also understand the importance of a diverse workforce to support not only our operations, but to help us continue to be an innovative and forward-looking corporation in Saskatchewan.

In 2010, designated equity group members – women in under-represented roles, Aboriginal persons, persons with disabilities, and visible minorities – represented 22.6% of SaskWater's workforce.

To further support diversity at SaskWater, we continue to deliver an Aboriginal Cultural Awareness Program (ACAP) to SaskWater employees. In 2010, 12 of our employees attended this program, bringing the total employees trained to 87.7%.

Our employees also attend Respect in the Workplace interactive workshops.

Employees develop an understanding of how beliefs and values shape behaviour, and they learn how to bridge differences in the workplace.

Ten of our employees attended this training in 2010, bringing the total employees trained to 83%.

Two Building Successful Working Relationships workshops were delivered in 2010. This workshop, which was developed in 2009, is the next step in building and maintaining a respectful workplace environment. Nineteen SaskWater employees participated in this workshop in 2010, as a supplement to Respect in the Workplace, bringing the total employees trained to 28.3%.

Training

To further support SaskWater employees, we encourage and support training in the areas of ongoing education and professional development.

Training is offered to upgrade the knowledge and skills of employees, leading to increased organizational effectiveness by raising overall employee performance.

In 2010, 93 employees took part in training initiatives, which included continuing their formal education and attending conferences, workshops, seminars, occupational health and safety, and mandatory training for new employees.

Community investment

As one of the province's commercial Crown corporations, part of SaskWater's role is to support Saskatchewan communities. This includes a commitment to improving the social health and wellbeing of Saskatchewan's people.

SaskWater achieves this objective through its Community Investment program, by awarding scholarships and bursaries and helping celebrate the success of local business.

Through its Community Investment program, SaskWater supports Saskatchewan communities by providing sponsorships and donations.

SaskWater invests in activities that represent the greatest impact possible – supporting its customers and employees, as well as communities where employees live and work. Priority is given to activities that demonstrate environmental stewardship and diversity and Aboriginal peoples' involvement in business and employment.

In 2010, SaskWater supported approximately 74 events and activities that benefitted more than 27 communities throughout the province. These sponsorships included events such as the Saskatchewan Festival of Words, the Bruno Cherry Festival, the Gravelbourg Summer Solstice Festival and the FSIN Elder/Youth Environmental Gathering.

Education

In the water and wastewater industry, education is important, whether it is teaching youth about how safe drinking water gets to their taps, or supporting students in their post-secondary education.

Investing in post-secondary education is investing in SaskWater's future employees and the future workforce of Saskatchewan. SaskWater's scholarships, co-op terms and internships show our commitment to recruiting promising young talent in Saskatchewan.

The SaskWater SIAST Bursary provides \$2,000 per year to recognize the achievement of students in the Water Resources Engineering Technology program at SIAST Palliser Campus and to provide them with encouragement and support upon graduation from the program.

In addition to providing work placements for SIAST co-op students, SaskWater participates in the Gradworks intern program, established by Crown Investments Corporation, with the goal of providing valuable work experience to talented, high-potential post-secondary graduates.



Luke Broughton worked for SaskWater as a Technologist Regional Systems in Saskatoon through the Gradworks program in 2010.

In 2010, one Gradworks intern secured full-time employment with SaskWater, two completed their 12-month internships and five obtained permanent employment with new employers. Also in 2010, seven interns were provided work placement opportunities with SaskWater in a variety of areas including District Operations, Sales and Marketing, Human Resources and Policy and Planning.

Employees / Community

Business

SaskWater shows its support for local businesses by sponsoring events such as the Saskatchewan Municipal Awards, the SIAST Business & Industry Banquet in Moose Jaw and the ABEX Gala in Nipawin.

SaskWater also sponsors the Environment Award at the annual Saskatchewan Chamber of Commerce ABEX (Awards of Business Excellence) Awards, as well as the Business Innovation Award at the Moose Jaw Chamber of Commerce ABEX Awards.

Partnerships

SaskWater's commitment to provide reliable and professional water and wastewater services would not be realized without key industry partners.

SaskWater has a memorandum of understanding with the Consulting Engineers of Saskatchewan

(CES) that guides our relationship and provides for an effective use of private sector resources within the Crown umbrella. SaskWater collaborates with CES in many areas, including the review of technology and exchange of information, experiences and best practices.

Every other year, SaskWater partners with CES on a technical exchange. Consultants, operators and regulators, including Saskatchewan Environment, meet and share knowledge to the benefit of Saskatchewan's entire water and wastewater industry. The next technical exchange will be held in 2011.

SaskWater also values its ongoing partnership agreement with the Saskatchewan Urban Municipalities Association (SUMA). This relationship includes a Diamond sponsorship of SUMA's annual convention, and allows the corporation to:

- enhance relationships with existing customers and reach new customers;
- promote an understanding of our business;
- share our expertise and experience in water and wastewater management; and,
- work together to provide safe, quality water products and services to Saskatchewan municipalities.

SaskWater also supports the work of organizations such as Western Canada Water, the Saskatchewan Water and Wastewater Association, the Saskatchewan Association of Watersheds and the Urban Municipal Administrators Association of Saskatchewan.



SaskWater's Executive Administrative Assistant Sherry Wallin, Senior Financial Analyst Trevor Boese and Financial Analyst Lorna Montgomery work at SaskWater's head office in Moose Jaw.

Customer Satisfaction

Customer satisfaction

SaskWater conducts a biennial customer satisfaction and perception survey with its customers. This process began in 2006 with the objectives of:

- measuring perceptions on the importance of water services;
- assess overall satisfaction with a number of facets of the services provided by SaskWater; and,
- understand perception of how SaskWater services are paid for.

The most recent survey was conducted in December of 2010 with 104 customer surveys completed. Those surveyed were grouped into the following customer categories: industry, communities, associations and individual users.

The results

Satisfaction with SaskWater

Overall satisfaction with SaskWater is strong. On a 10 point satisfaction scale, where 1 is very dissatisfied and 10 is very satisfied, 55.8% of customers were very satisfied with SaskWater (rating of 9 or 10) and an additional 32.7% were moderately satisfied (rating of 7 or 8). This translates to an overall satisfaction level of 8.42 on a scale of 1 to 10 for all customer types. This is up from 8.13 in 2008 (note: individual customers were not surveyed in 2008).

More than 80% of customers rate their satisfaction with each of the facets of SaskWater service a 7 or higher on the satisfaction scale.

- Providing safe water 97.8%
- Providing reliable water service 95.2%
- Responsiveness of SaskWater's emergency services 95.2%
- Staff knowledge 93.9%

- Customer service 90.1%
- SaskWater's environmental stewardship 87.2%
- Understanding customer needs 85.4%
- Caring about the customer 83.2%
- Understanding customers' organizational needs 82.4%
- Value paid for price paid 80.2%

Price for water

Our 2008 customer survey indicated a lower than ideal percentage of customers felt that the rates charged by SaskWater were fair and reasonable. In 2010, the overall perceptions of prices charged by SaskWater as being fair and reasonable are generally positive. On the scale from 1 to 10, 26% strongly agree that prices are fair and reasonable and 43.3% moderately agree with pricing being fair and reasonable. Only 11% disagreed that the prices are fair and reasonable and 19.2% of customers were either neutral or did not know.

How important is water?

Water is very important to our customers. 91.7% rated water as highly important, giving it a ranking of 9 or 10 on the 10 point scale. Communities ranked the importance of water to their community's operation 9.77 out of 10 in 2010, up from 9.6 in 2008 and further up from 9.29 in 2006. Although the increases are not significant, communities continue to rank the importance of water in their community as very high.

Recommend working with SaskWater

The percentage of customers who would recommend SaskWater to similar organizations went up in 2010 to 94.1%. In 2008, 88% of community/association customers would have recommended SaskWater and 89% of industrial customers would have recommended SaskWater.

Balanced Scorecard

SaskWater is a subsidiary of Crown Investments Corporation (CIC) and receives strategic direction from CIC. SaskWater's balanced scorecard, informed by the Crown Sector Strategic Plan, holds the corporation accountable to the shareholder and people of Saskatchewan. SaskWater's 2010 balanced scorecard is based on SaskWater's 2009-2013 Strategic Plan, which outlines the strategic goals and objectives of the corporation. The measures and targets identified in the balanced scorecard are used to evaluate progress in four strategic themes which are viewed as critical to SaskWater's business success including:

- Succeeding Financially
- Growing the Business
- Achieving Business Excellence
- Valuing Employees

The scorecard further reflects measures used to monitor organizational performance of key corporate objectives identified for each strategic theme. In total, 28 measures were developed to provide a comprehensive picture of SaskWater's yearly financial, operational and business outcomes.

The following discussion highlights significant 2010 balanced scorecard results.

Performance results

Succeeding financially

- While extremely wet weather conditions impacted the profitability of potable water during 2010, financial results were above budget with a net income of \$224,000. This is largely due to SaskWater's work with the potash industry, including water consumption from existing potash customers returning to the 2008 levels and project management work with greenfield mine proponents.

- SaskWater measures Operations & Maintenance (O&M) per Sales Unit to provide a base unit for assessing the efficiency of resources used to produce and deliver units of water. O&M Costs per Sales Unit were off target in 2010 due to weather related declines in potable water volumes and completion of a new water supply system for the Mosaic Belle Plaine potash mine being pushed back into 2011.
- The Corporate productivity per employee measure allows the corporation to focus on efficient growth in staffing levels; the higher the value the greater the corporate efficiency achieved.

Growing the business

- Total Sales Volumes is an overall measure of growth in SaskWater's core lines of business (i.e. potable, non-potable and wastewater services). With the very wet weather experienced in 2010, this measure was off target with volumes for non-potable and potable water both below budget by 29.10% and 7.27% respectively. Actual non-potable volumes were up 16.02% for the year, compared to 2009; however, the budget had anticipated stronger consumption.

Achieving business excellence

- As part of SaskWater's Asset Management Plan, the corporation seeks to reduce unplanned service interruptions by being more proactive in approaching maintenance issues and increase planned service interruptions through proactive maintenance and replacement of infrastructure. Both of the measures tracking service interruptions performed better than their targets.
- Research and Development expenditures were above target due to spending associated with SaskWater's pilot project to manage wastewater discharge through effluent irrigation of poplar woodlots.

- SaskWater conducts a biennial customer satisfaction survey to track how well the corporation is meeting customer needs. Community, association, industrial and single user customers were surveyed in 2010 with 88.5% of respondents being satisfied with SaskWater.
- The Energy Consumption per Sales Unit measure is valuable when identifying and assessing opportunities for efficiency improvement. Energy is a major input cost for SaskWater and an area where savings are possible. Energy consumption was below its target in 2010, with the year to date result of 3.03kWh.
- SaskWater did not achieve its target of purchasing \$40,000 of goods and services from Aboriginal owned corporations. To date, SaskWater has been challenged in tendering contracts to Aboriginal corporations for relevant services and has hired a Gradworks purchasing analyst to assist in addressing the challenges in this area throughout 2011.

Valuing employees

- The percentage of employees receiving training tracks SaskWater's commitment to training all staff and is an important measure for employee retention. In 2010, 87% of staff received training.
- The Employee Satisfaction Survey measure provides an indication of the level of employee morale and is an effective approach to measure the effectiveness of various management initiatives. In 2010, results of the employee survey indicated that employee satisfaction improved across the organization, particularly in the area of senior leadership.
- Employee turnover increased with 7.51% of permanent employees resigning. Although the 2010 target of 6% was exceeded, a review of Exit Interview information did not indicate areas of concern, although the strong provincial economy is likely a contributing factor.

2010 Targets and results

Succeeding financially

Objective		Measure	2010 Target	2010 Results
Increase revenue and profitability	1	Net income (000's)	\$162 ¹	\$224
	2	Return on equity	0.4%	0.6%
	3	Debt to debt & equity	64.2%	54.8%
Increase efficiency and effectiveness	4	O&M per Sales Unit	\$1.48	\$1.76
	5	Corporate productivity per employee (000's)	\$239	\$229
Establish rates based on cost of service principles	6	Percentage of non-potable customers within the revenue requirement ratio target	TBD	TBD
	7	Percentage of potable customers within the revenue requirement ratio target	TBD	TBD

Balanced Scorecard

Growing the business

Objective		Measure	2010 Target	2010 Results
Ensure viable business ventures	8	Net financial contribution of new customers	TBD	TBD
Increase customer base	9	Number of municipalities served directly	56	57
	10	Number of municipalities served indirectly	14	14
	11	Number of COM customers	12	13
	12	Total population served	54,982	52,088
	13	Total Sales Volumes (000's) Sales Units	5,910	4,552

Achieving business excellence

Objective		Measure	2010 Target	2010 Results
Manage our infrastructure, information and resources more effectively	14	Unplanned interruptions	40	29
	15	Planned interruptions	19	27
Develop a more productive and innovative organization	16	Research and Development expenditure as a % of revenue	0.60%	0.68%
Increase pro-activity and responsiveness to our customer needs	17	Customer satisfaction survey	7.85	8.42
	18	Customer complaints	37	14
Increase environmental stewardship in decision making	19	Energy consumption per Sales Unit	3.10 kWh	3.03 kWh
	20	Transmission pipelines water loss	3.40%	2.13%
Support the Saskatchewan economy	21	Value of products and services sourced from Aboriginal corporations (000's) ²	\$40	\$1.50

Valuing employees

Objective		Measure	2010 Target	2010 Results
Establish a respectful and engaging workplace environment	22	Women in under-represented groups	21.80%	13.20%
	23	Aboriginals	3.50%	3.77%
	24	People with disabilities	4.00%	1.88%
	25	Visible minorities	3.00%	3.77%
Enhance employee development	26	Percentage of employees receiving training	65%	87%
Develop more positive employer-employee relations	27	Employee satisfaction survey	3.35	3.37
Enhance recruitment and retention	28	Employee turnover	6.00%	7.51%

¹ Adjusted from 160 to 162 to be in line with the 2010 approved budget.

² Procurement results have been restated to the second decimal place.

SaskWater is continually adapting and improving its balanced scorecard to better reflect corporate priorities. The 2011 balanced scorecard has been streamlined to focus on high priorities; areas essential

to the corporation's success. All measures will be reported in cubic meters in 2011, in lieu of imperial gallons. This reflects SaskWater's transition to have all reporting in metric.

2011 Targets Succeeding financially

Strategic Objective		Measure	2011 Target
Increase revenue	1	Net income (000's)	\$211
	2	Return on equity	0.6%
	3	Debt to debt and equity	61.7%
Increase efficiency and effectiveness	4	Corporate productivity per employee (000's)	\$306
	5	O&M costs per m ³ sold	\$0.28
	6	Energy consumption per m ³ sold	0.68 kWh

Balanced Scorecard

Growing the business

Strategic Objective	Measure	2011 Target
Increase customer base	7 New contracts with municipalities	3
	8 New contracts with rural water utilities/associations	2
	9 Net income of COM contracts (000's)	\$102
	10 Total sales volumes (000's)	38,039

Achieving business excellence

Strategic Objective	Measure	2011 Target
Manage our infrastructure and information resources more effectively	11 Unplanned service interruptions	35
	12 Planned service interruptions	22
Increase pro-activity and responsiveness to our customer needs	13 Customer satisfaction survey	N/A
Increase environmental stewardship in decision making	14 Transmission pipelines water loss	3.35%
Support public policy initiatives	15 Value of goods and services spent on aboriginal content (000's)	\$4

Valuing employees

Strategic Objective	Measure	2011 Target
Establish a respectful and engaging workplace environment	16 Diversity representative workforce	Women in under-represented groups
		Aboriginals
		People with disabilities
		Visible minorities
	17 Employee satisfaction survey	3.4
Enhance employee development	18 % of employees receiving training	65
Enhance recruitment and retention	19 Employee turnover	5.00%

Management's Discussion and Analysis

2010 Results

Operating Revenues

Operating revenues increased by \$3.5M or 16.8 per cent to \$24.3M, up from \$20.8M in 2009.

- Revenue in Non-Potable water supply increased by \$0.9M from \$7.6M in 2009 to \$8.5M in 2010. The increase in revenue is due in part to the rebound of major industrial customers own markets throughout 2010 and the resulted in increases in non-potable volumes.
- Revenue in Potable water supply increased by \$0.2M over 2009 to \$10.7M in 2010, however, revenue was \$0.5M below budget due to heavy rainfall and resulting decrease in consumption from potable customers.
- Revenue levels in Wastewater treatment increased by 15.9 per cent to \$0.6M in 2010, up from \$0.5M in 2009.
- Revenue in Certified Operations and Maintenance increased by \$0.2M due to an increase in the non-contract services provided, and services being provided to two new customers.
- Services revenue increased by \$2.2M from 2009. Services include:
 - Project Management,
 - Program and Project Management for the Northern Water and Sewer Program funded by Government Relations,
 - First Nations operator training and technical support, and
 - Water Leak Detection Services

Project Management contracts account for an increase of \$2.0M. This line of business provides services on an as-needed basis and in 2010 related to services to potential potash mine developers. An increase of \$0.1M is a result of increased activity in

the First Nations Operator Training and Technical Support line of business. There were also marginal increases in the Northern Project Management and Water Leak Detection Services lines of business.

Operating Expenses

Total operating expenses increased by \$3.8M or by 18.7 per cent to \$24.1M from \$20.3M in 2010.

- Expenses in Non-Potable water supply increased by \$0.2M, from \$1.9M in 2009 to \$2.1M in 2010. This is the result of increased costs for utilities and repairs and maintenance.
- Expenses in Potable water supply decreased by \$0.3M or 3.9 per cent. This decrease is a reflection of potable water volumes being down 6.6% in 2010, due to the wet weather and drop in water demand. This was partially offset by increased costs for bulk water purchases, and for materials and supplies.
- Expenses in Wastewater treatment increased 15.6 per cent from 2009, corresponding with the increase in revenue, and were largely a result of increased remote monitoring activity and increased utility costs.
- Expenses in Certified Operations and Maintenance have increased by 10.2 per cent over 2009 as a result of an increase in non-routine services requested by customers, and services being provided to two new customers.
- In total, expenses for Services (Project Management, Northern Water and Sewer Program for Government Relations, First Nations operator training and technical support, and Water Leak Detection Services) have increased \$1.7M over 2009. Project Management costs represent the majority of the increase and are a result of services to potential potash mine developers that occurred in 2010, while there was little activity in 2009.
- Overhead and administration costs increased by \$1.6M over 2009. Several factors contributed to this

increase with salaries accounting for \$1.0M. In 2008, based on actual hours worked, SaskWater's full time equivalent positions were 97.2. In 2009 this number fell to 90.0, largely due to a number of unexpected leaves and vacancies the corporation held open to assess where efficiencies might be achieved. In 2010 the actual full time equivalent positions were 95.2, reflecting some growth related to serving new business and some decisions regarding efficiencies. In addition, one time payroll costs related to job evaluation revisions were incurred and other adjustments related to pay ranges, in range movements and a severance. Increases were also seen in other areas including research and development, contractual services, advertising, and property related costs.

- Depreciation expense increased by \$0.4M as a result of capital project completions.
- Interest expense decreased marginally by 1.3 per cent as compared to 2009.

Volumes

- Total water sales volumes increased to 20.7 million cubic metres, up from 19.0 million cubic metres in 2009. This increase in volume is primarily due to some of SaskWater's major industrial non-potable water customers returning to a level of water usage that was seen prior to 2009, which has a direct correlation to market conditions within their own industries.

Capital Investment

In 2010, \$24.4M was spent on capital new construction and expansion projects, asset management programs, and infrastructure management on existing projects. This included \$14.1M invested by SaskWater and \$10.3M in customer capital contributions. Significant projects include:

- Completion of construction of the Saskatoon Potable Water Supply System – Northeast to supply water to the Town of Aberdeen and rural users;
- Construction of the Buffalo Pound Non-Potable Water Supply System – Expansion Project to supply water for the mine expansion at Mosaic Belle Plaine;
- Design and construction of the Saskatoon Non-Potable Water Supply System – West pipeline expansion to supply increased water for the PCS Cory plant expansion;

- Design of the Main Booster Station Expansion on the Saskatoon Potable Water Supply System – East system to allow for 2011 construction to accommodate growth in communities and rural users east and south of Saskatoon;
- Design and construction of the Jockey Pump Replacement on the Buffalo Pound Non-Potable Water Supply System – East to provide more efficient service to existing customers; and,
- Replacement of electrical infrastructure in the Little Manitou Lake Pump Station on the Saskatoon Southeast Water Supply System to maintain service levels.

Key Performance Factors

- About two-thirds of water volume sales and 35 per cent of total revenue is derived from the sale of non-potable water to industrial customers for use in their processes. Changes in their production cycles due to market factors affect SaskWater's sales.
- Weather affects sales to municipal customers. Drought increases sales while cool, wet weather reduces sales.

Key Financial Data

- Assets total \$147.7M (2009 - \$95.0M)
- Return on equity (net income as a percentage of equity) is 0.6 per cent
- Debt ratio (debt as a percentage of debt plus equity) is 54.8 per cent
- SaskWater did not declare a dividend to CIC in 2010

2011 Outlook

- SaskWater expects total revenues from all lines of business to increase by \$7.5M to \$31.8M (30.8 per cent)
- The corporation expects to report net income of \$0.2M in 2011.
- SaskWater expects to spend \$34.8M in 2011 on water and wastewater infrastructure projects in the province. This includes \$9.5M invested by SaskWater and the remainder in customer capital contributions. Significant projects include:
 - Buffalo Pound North Non-Potable Pumpstation and Pipeline
 - Cupar Water Treatment Plant

- Gravelbourg Water Treatment Plant Upgrade
- Saskatoon West Non-Potable Sand Removal
- Saskatoon West Non-Potable System Growth
- Saskatoon East Potable Main Booster Growth
- Saskatoon North Potable Warman Growth
- Saskatoon Southeast Water Supply System Zelma Road Crossing Replacement
- White City Potable Water Treatment Plant Reservoir Growth
- General Asset Management Projects

Internal Control over Financial Reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. The President/CEO along with the CFO have certified that SaskWater conducted its assessment of the effectiveness of the corporation's internal controls over financial reporting and, based on the results of this assessment, SaskWater can provide reasonable assurance that internal controls over financial reporting as of December 31, 2010 were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting, with the exception of the deficiencies listed below:

- a. SaskWater does not have an up-to-date schedule of all its capital assets and does not do a periodic review of assets to determine if there have been unrecorded losses or an impairment in the book value of an asset. In 2010 SaskWater started developing an asset register and applying bar coding identifiers to recorded assets, however this work will not be completed until 2011.
- b. SaskWater contracts our information technology (IT) services from the Saskatchewan Watershed Authority. IT controls related to change management, incident management, code migration, access controls, and segregation of duties need strengthening. SaskWater's IT Steering Committee, in conjunction with our IT provider have made progress towards addressing these deficiencies during 2010 and will continue to put a plan in place during 2011 to develop and

implement appropriate processes and controls to fully address the weaknesses identified.

- c. The Corporation did not have a code of conduct and criminal record check policies for key employees in place for the full year. A criminal record check policy was developed, approved by SaskWater's Executive, and implemented during 2010. SaskWater's Code of Conduct and Ethics policy was developed, approved by executive, and was rolled out to staff on February 8, 2011.

Future Accounting Changes – International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board (AcSB) and the Public Sector Accounting Board have confirmed that government business enterprises such as SaskWater will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year.

In October 2010, the AcSB amended the introduction to Part I of the CICA Handbook – Accounting to require:

- a. Qualifying entities with rate-regulated activities, investment companies and segregated accounts of life insurance enterprises to adopt IFRS for the first time no later than interim and annual financial statements relating to annual periods beginning on or after January 1, 2012; and
- b. Entities electing to defer the first-time adoption of IFRS to disclose that fact.

The AcSB reaffirmed its decision that the deferral should be limited to entities that have activities subject to cost-based regulation and that recognize regulatory assets and regulatory liabilities. SaskWater does not meet the definition of a rate-regulated entity as defined by the AcSB. As such, SaskWater is required to adopt IFRS effective January 1, 2011.

As part of the IFRS conversion project, SaskWater developed a detailed IFRS implementation plan. An external advisor was engaged to assist with project development and implementation. The advisor supported in performing a detailed review of major differences between current Canadian GAAP and IFRS. SaskWater has evaluated its accounting policies and the estimated impact IFRS will have on SaskWater's financial position, operational results

and financial statement disclosures. Communication on the impact of IFRS has been ongoing with external stakeholders that include CIC and the Corporation's external auditors. Management and staff from SaskWater have participated in IFRS training seminars. Board members have been briefed on IFRS and reviewed and approved project plans.

Our first interim IFRS report for the period ending March 31, 2011 will be released prior to the end of May 2011. The expected IFRS impact on SaskWater's opening equity is described below.

Explanation of transition to IFRS

IFRS 1, First-time Adoption of IFRS (IFRS 1), requires entities to prepare and present an opening balance sheet at the date of transition to IFRS. All adjustments required upon transition to IFRS will be made retrospectively against opening retained earnings as of the date of transition — January 1, 2010 (Transition Date).

In general, IFRS requires an entity to comply with all of the accounting standards effective at the end of the first reporting period after adopting IFRS. This means restating accounting transactions as if the standards had been in place when the transactions occurred. The IFRS 1 exemptions give limited release from retrospectively applying the standards where the cost of complying with this requirement would be likely to exceed the benefits to users of financial statements.

The Corporation is in the process of quantifying the January 1, 2010 (the Corporation's date of transition to IFRS) opening balances under IFRS. On the date of transition to IFRS, the impact on SaskWater's equity for known adjustments is currently expected to be as follows:

	As at January 1, 2010	
	(Thousands)	
Total equity under Canadian GAAP	\$	32,477
1 Restatement of property, plant & equipment		(1,897)
2 Restatement of customer contributions		1,165
3 Restatement of government contributions		-
4 Recognition of impaired assets**		-
5 Recognition of onerous contracts**		-
Total quantified IFRS adjustments		(732)
Total equity under IFRS	\$	31,745

**Quantification of adjustments are currently in progress.

The differences between Canadian GAAP and IFRS that will have an impact on the Corporation's consolidated financial position are as follows:

a. Restatement of property, plant & equipment

Under Canadian GAAP, SaskWater's accounting policy is to capitalize costs including material, direct labour and overhead. Under IFRS, property, plant and equipment will be recorded at historical cost and include expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets will include materials and direct labour.

On transition to IFRS, the Corporation will derecognize certain capitalized costs, including general and administrative overhead, which are not eligible to be capitalized under IFRS and record the difference to retained earnings on transition date.

b. Restatement of customer contributions

Customer contributions are funds received from certain customers toward the costs of service developments or extensions. Under Canadian GAAP, contributions in aid of construction are netted against property, plant and equipment.

On transition to IFRS, the Corporation will gross up affected assets to total cost and restate the contribution to deferred revenue. Depreciation of the asset will be based on the total cost of the asset and the associated deferred revenue will be amortized as revenue based on the shorter of the asset life or contract life as applicable. Any difference between the depreciation expense and deferred revenue amortization as of the transition date is included in retained earnings.

c. Restatement of government contributions

Government contributions are funds received from Government agencies toward the costs of service developments or extensions for certain customers. Under Canadian GAAP, Government contributions in aid of construction are netted against property, plant and equipment.

On transition to IFRS, the Corporation will gross up affected assets to total cost and restate the government contribution to deferred revenue. Depreciation of the asset will be based on the total cost of the asset

and the associated deferred revenue will be amortized as revenue based on the asset life of applicable assets. There is no effect on retained earnings on transition date.

d. Recognition of impaired assets

Under IFRS, an impairment loss is recognized if an asset's cash generating units (CGU's) carrying amount exceeds its recoverable amount. The recoverable amount is the greater of fair value less costs to sell and value in use, which is based on the net present value of future cash flows. The impairment loss equals the amount of this excess. Under Canadian GAAP, there were no indicators of impairment on the Corporation's assets. Impairment losses are generally recognized in profit or loss, and will have an effect on retained earnings on transition date.

The Corporation is currently in the process of quantifying an impairment, if any, at the time of this report and will have completed the evaluation process by the March 31, 2011 interim reporting period.

e. Recognition of onerous contracts

Under IFRS, a provision for onerous contracts is recognized when the expected benefits to be derived by the Corporation from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Under Canadian GAAP, no obligations are recognized for onerous contracts.

On transition to IFRS, the Corporation will recognize a provision for onerous contracts for which the expected benefits to be derived from the contracts are lower than the unavoidable cost of meeting the obligations under the contracts. A separate asset will also be recorded for subsequent reimbursements expected to be received.

The Corporation is currently in the process of quantifying a provision, if any, at the time of this report and will have completed the evaluation process by the March 31, 2011 interim reporting period.

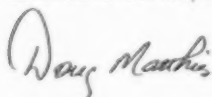
Management's Responsibility

Management has prepared the financial statements of the Corporation in accordance with Canadian generally accepted accounting principles. The financial data included elsewhere in this report is consistent with these statements and the underlying information from which the Corporation prepared them.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Corporation maintains appropriate systems of internal controls, policies and procedures. These systems provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Corporation.

Deloitte & Touche LLP, the Corporation's external auditors, have examined the December 31, 2010 financial statements and their report follows. The Board of Directors of SaskWater has examined and approved the statements.

On behalf of the Corporation,



Doug Matthies, President
February 24, 2011

Management's Report on Internal Control over Financial Reporting

I, Doug Matthies, the President and Chief Executive Officer of SaskWater, and I, Marie Alexander, Vice President and Chief Financial Officer of SaskWater, certify the following:

- a. That we have reviewed the financial statements included in the Annual Report of SaskWater. Based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report, fairly present, in all material respects the financial condition, results of operations, and cash flows, as of December 31, 2010.
- b. That based on our knowledge, having exercised reasonable diligence, the financial statements and included in the Annual Report of SaskWater do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made.
- c. That SaskWater is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities, and SaskWater has designed internal controls over financial reporting that are appropriate to the circumstances of SaskWater.
- d. That SaskWater conducted its assessment of the effectiveness of the corporation's internal controls over financial reporting and, based on the results of this assessment, SaskWater can provide reasonable assurance that internal controls over financial reporting as of December 31, 2010 were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting, with the exception of the deficiencies listed on page 29 of SaskWater's annual report.

On behalf of management,



Doug Matthies
President and CEO
February 24, 2011



Marie Alexander
Vice President and CFO

Independent Auditor's Report

To the Members of the Legislative Assembly, Province of Saskatchewan

We have audited the accompanying financial statements of Saskatchewan Water Corporation, which comprise the statement of financial position as at December 31, 2010, and the statements of operations and comprehensive income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saskatchewan Water Corporation as at December 31, 2010, and its financial performance for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Deloitte & Touche LLP.

Regina, Saskatchewan

February 24, 2011

Statement of Financial Position

as at December 31, 2010

2010 2009

(Thousands)

Assets

Current assets

Cash (note 3)	\$ 25,609	\$ 236
Accounts receivable and advances	9,449	4,371
Prepaid expenses and supplies	329	253
Current portion of long-term receivables (note 4)	249	235
	<u>35,636</u>	<u>5,095</u>

Long-Term Receivables (note 4)	-	111
Investment - Debt Retirement Funds (note 5)	4,661	2,813
Property, Plant and Equipment (note 6)	107,449	86,947
	<u>\$ 147,746</u>	<u>\$ 94,966</u>

Liabilities and Province of Saskatchewan's Equity

Current liabilities

Accounts payable and accrued liabilities	\$ 6,047	\$ 4,972
Notes payable (note 7)	15,066	23,426
Infrastructure deposits (note 8)	25,979	-
Current portion of deferred revenue (note 8)	340	205
	<u>47,432</u>	<u>28,603</u>


Deferred Revenue (note 8)	18,778	7,160
Long-Term Debt (note 9)	39,800	25,707
Other Long-Term Obligations (note 10)	335	319
	<u>\$ 106,345</u>	<u>\$ 61,789</u>

Province of Saskatchewan's equity

Equity advance (note 11)	8,700	700
Retained earnings	32,701	32,477
	<u>41,401</u>	<u>33,177</u>
	<u>\$ 147,746</u>	<u>\$ 94,966</u>

Commitments and Contingencies (note 12)
See accompanying notes

on behalf of the Board:


Chair


Director

Statement of Operations and Comprehensive Income

for the year ended December 31

	2010	2009
	(Thousands)	
Revenue		
Non-potable water supply	\$ 8,511	\$ 7,635
Potable water supply	10,736	10,539
Wastewater treatment	560	483
Operation and maintenance	786	615
Services	3,251	1,091
Other	459	397
	24,303	20,760
Expenses		
Non-potable water supply	2,108	1,941
Potable water supply	6,204	6,455
Wastewater treatment	170	147
Operation and maintenance	647	587
Services	2,303	576
Overhead and administration	7,633	6,007
Amortization of property, plant and equipment	3,924	3,488
Interest	1,090	1,105
	24,079	20,306
Net income for the year	224	454
Other comprehensive income	-	-
Comprehensive income	\$ 224	\$ 454

See accompanying notes

Statement of Retained Earnings

for the year ended December 31

	2010	2009
	(Thousands)	
Retained earnings		
Retained earnings, beginning of year	\$ 32,477	\$ 32,023
Net income for the year	224	454
Retained earnings, end of year	\$ 32,701	\$ 32,477

See accompanying notes

Statement of Cash Flows

for the year ended December 31

	2010	2009
	(Thousands)	
Operating activities		
Net income	\$ 224	\$ 454
Charges and credits not affecting cash:		
Amortization of property, plant and equipment	3,924	3,488
Addition of deferred revenue	11,753	7,007
Amortization of financing costs	–	(10)
Other long-term obligations	16	63
Debt retirement fund earnings	(285)	(93)
Change in non-cash working capital items:		
Accounts receivable and advances	(5,078)	(321)
Prepaid expenses and supplies	(76)	21
Accounts payable and accrued liabilities	1,075	1,153
Cash provided by operating activities	11,553	11,762
Investing activities		
Repayments (advances) of long-term receivables	97	(330)
Property, plant and equipment expenditures	(24,426)	(17,841)
Cash used in investing activities	(24,329)	(18,171)
Financing activities		
Proceeds from long-term debt	14,093	4,500
(Repayments of) proceeds from notes payable	(8,360)	7,205
Repayment of long-term debt	–	(4,500)
Addition of infrastructure deposits	25,979	–
Debt retirement fund installments	(1,563)	(1,179)
Equity contributions	8,000	–
Cash provided by financing activities	38,149	6,026
Change in cash	25,373	(383)
Cash, beginning of year	236	619
Cash, end of year	\$ 25,609	\$ 236
Interest paid during the year	\$ 1,392	\$ 1,250

See accompanying notes

Notes to the Financial Statements

December 31, 2010

1. Status of the Corporation

The Saskatchewan Water Corporation (the "Corporation" or "SaskWater") was established on July 1, 1984, under the authority of **The Water Corporation Act**, which remained in effect until September 30, 2002.

On October 1, 2002, **The Saskatchewan Water Corporation Act** was proclaimed.

By virtue of **The Crown Corporations Act, 1993**, the Corporation has been designated as a subsidiary of Crown Investments Corporation of Saskatchewan (CIC). Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC, a Provincial Crown corporation. As the Corporation is a Provincial Crown corporation, it is not subject to Federal or Provincial income taxes in Canada, but is subject to Provincial corporate capital tax.

In accordance with the provisions of **The Saskatchewan Water Corporation Act**, the Corporation's general powers and purposes are to construct, acquire, manage or operate works and to provide services in accordance with any agreements that it enters into pursuant to this Act.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered to be significant:

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectability and appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on estimated useful lives of property, plant and equipment. These assumptions are reviewed periodically and, as adjustments become necessary, they are reported in income in the period in which they become known.

Financial Instruments – Classification

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and SaskWater's designation of such instruments. Trade date accounting is used.

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other comprehensive income.

2. Significant Accounting Policies – continued

Loans and receivables, other liabilities and held to maturity financial assets are recorded at amortized cost using the effective interest method.

Transaction costs related to held for trading financial assets are expensed as incurred. Transaction costs related to held to maturity financial assets, other liabilities and loans and receivables are netted against the carrying value of the asset or liability and are then recognized over the expected life of the instrument using the effective interest method.

The Corporation uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

Financial Instruments – Fair Value

Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The Corporation has classified the fair valuation of its financial instruments as level 1, 2, or 3 as defined below.

Level 1 – Fair values are determined using inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has immediate access to. The fair value for cash is based on carrying value as an approximation of market value due to the short time frame to maturity.

Level 2 – Fair values are determined using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. The debt retirement funds are valued by the Ministry of Finance using information provided by investment dealers. To the extent possible, valuations reflect indicative secondary pricing for these securities. In all other circumstances, valuations are determined with reference to similar actively traded instruments.

Level 3 – Fair values were determined based on inputs for the asset or liability that are not based on observable market data.

Property, Plant and Equipment

Property, Plant and Equipment are recorded at cost less amortization. Assets under construction are capitalized at cost, and are transferred to the appropriate asset category when construction is complete and the asset is in use.

Internally provided engineering and technical services on capital projects are capitalized at standard labour rates designed to recover salaries, benefits and overhead. The objective of this policy is to recognize the approximate value of design, supervision and administrative services rendered by Corporation employees on construction projects.

The Corporation reviews assets for impairment on a regular basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate.

Notes to the Financial Statements

December 31, 2010

2. Significant Accounting Policies – continued

Amortization of Property, Plant and Equipment is calculated at the following annual rates designed to amortize the recorded cost over the estimated useful lives of the capital assets. Assets under construction transferred to the appropriate asset category before June 30th are amortized for the full year, otherwise the assets are not amortized until the following year.

Property, Plant and Equipment	Method	Rate
Building	straight-line	2.5% to 5%
Water facilities	diminishing balance or straight-line, as appropriate	2% to 30%
Maintenance equipment and office equipment	diminishing balance or straight-line, as appropriate	10% to 30%

Post Retirement Benefits Other Than Pension

The Corporation administers a benefit relating to a retirement allowance which is paid to eligible employees upon retirement. The Corporation has adopted the accrual method of accounting for this benefit whereby the cost of providing the benefit is recorded when the related services of employees are performed.

Revenue Recognition

Revenue is recognized as products and services are delivered or rendered in accordance with agreed upon rates and contracts. Revenue received in advance of products and services being delivered or rendered is recorded as deferred revenue.

Future Accounting Policy Changes

In October 2010, the Canadian Accounting Standards Board (AcSB) amended the Introduction to Part I of the CICA Handbook – Accounting to require:

- Qualifying entities with rate-regulated activities, investment companies and segregated accounts of life insurance enterprises to adopt IFRS for the first time no later than interim and annual financial statements relating to annual periods beginning on or after January 1, 2012; and,
- Entities electing to defer the first-time adoption of IFRS to disclose that fact.

The AcSB reaffirmed its decision that the deferral should be limited to entities that have activities subject to cost-based regulation and that recognize regulatory assets and regulatory liabilities. The Corporation does not meet the definition of a rate-regulated entity as defined by the AcSB. As such, the Corporation will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting purposes in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year.

3. Cash

Cash consists of operating cash and restricted use cash. Operating cash is available for current purposes; restricted use cash is only available for a specific capital project as it relates to an infrastructure deposit agreement and will be drawn upon as actual expenses are incurred.

	2010	2009
	(Thousands)	
Cash available for current purposes	\$ 159	\$ 236
Restricted cash	25,450	-
	<u>\$ 25,609</u>	<u>\$ 236</u>

4. Long-Term Receivables

	2010	2009
	(Thousands)	
Year receivable		
2010	\$ -	\$ 235
2011	249	111
2012	-	-
	<u>249</u>	<u>346</u>
Less: Current portion of long-term receivables	<u>(249)</u>	<u>(235)</u>
	<u>\$ -</u>	<u>\$ 111</u>

Amounts represent accounts receivable balances from various clients that the Corporation entered into non-interest bearing long-term repayment plans in order to ensure collection.

5. Investment – Debt Retirement Funds

Under conditions attached to the Canada Pension Plan Investment Board long-term debt issues from the Province of Saskatchewan's General Revenue Fund (GRF), SaskWater is required (on an annual basis) to invest an amount equal to one per cent of the related outstanding debt. The investment, referred to as debt retirement funds, are administered by Saskatchewan's Ministry of Finance. The investments in debt retirement funds are held by the Province of Saskatchewan. The yield on the investments was 7.95% for 2010 (3.86% for 2009). Debt retirement funds are held for trading financial assets and are recorded at fair value on the statement of financial position. The changes in the carrying amount of debt retirement funds are as follows:

Notes to the Financial Statements

December 31, 2010

5. Investment – Debt Retirement Funds – continued

	2010	2009
	(Thousands)	
Debt retirement funds, beginning of year	\$ 2,813	\$ 1,541
Net installments	1,563	1,179
Earnings	248	125
Valuation adjustment	37	(32)
Debt retirement funds, end of year	\$ 4,661	\$ 2,813

Debt retirement fund installments due in each of the next five years are as follows:

	(Thousands)
2011	\$ 348
2012	348
2013	348
2014	348
2015	324
	\$ 1,716

6. Property, Plant and Equipment

	2010				2009	
	(Thousands)					
	Cost	Accumulated Amortization	Net Book Value	Net Book Value		
Land	\$ 1,607	\$ -	\$ 1,607	\$ 1,552		
Buildings	2,548	1,139	1,409	1,473		
Water facilities	121,528	51,593	69,935	67,483		
Maintenance equipment	2,372	1,802	570	656		
Office equipment	1,109	799	310	496		
Assets under construction	33,618	-	33,618	15,287		
	\$ 162,782	\$ 55,333	\$ 107,449	\$ 86,947		

Internally provided services capitalized during the year amounted to \$731,000 (2009 - \$1,138,000). As well, the Corporation capitalizes interest expense on debt relating to specific construction projects until the projects are substantially completed. During the year, \$119,000 (2009 - \$51,000) of interest was capitalized.

7. Notes Payable

Due Date	Interest Rate	2010		2009	
		(Thousands)			
March 31, 2011	1.13%	\$	15,066	\$	-
March 31, 2010	0.28%		-		23,426
		\$	15,066	\$	23,426

By Orders-in-Council, SaskWater is authorized to borrow up to \$55 million (2009 - \$55 million) by way of temporary loans from the Province of Saskatchewan's General Revenue Fund (GRF). Of this amount, \$25 million will expire on December 31, 2011. This \$25 million was authorized in order to finance the construction phase of a major capital project being undertaken by the Corporation.

8. Deferred Revenue and Infrastructure Deposits

Deferred revenue represents contributions received from certain customers at the commencement of supply or service. Deferred revenue is amortized into revenue over the term of the contract the contributions relate to on a straight-line basis or are matched against annual expenses.

Year receivable	2010		2009	
	(Thousands)			
Balance, beginning of year	\$	7,365	\$	358
Additions		12,052		7,283
Amortization		(299)		(276)
		19,118		7,365
Less: Current portion of deferred revenue		(340)		(205)
Balance, end of year	\$	18,778	\$	7,160

Funds received, or receivable from customers for specific infrastructure developments prior to the commencement of construction are recorded as infrastructure deposits. These amounts will either be repaid or transferred to deferred revenue as the infrastructure development occurs.

	2010		2009	
	(Thousands)			
Balance, beginning of year	\$	-	\$	-
Additions		25,979		-
Balance, end of year	\$	25,979	\$	-

Notes to the Financial Statements

December 31, 2010

9. Long-Term Debt

	2010	2009
	(Thousands)	
CPP Investment Board of \$5,000,000, stated rate of 3.800% (effective rate of 3.800%), due Dec 1/13.	\$ 5,000	\$ 5,000
CPP Investment Board of \$2,407,000, stated rate of 4.300% (effective rate of 4.300%), due Dec 12/15.	2,407	2,407
CPP Investment Board of \$2,400,000, stated rate of 4.210% (effective rate of 4.210%), due Jan 10/16.	2,400	2,400
CPP Investment Board of \$2,600,000, stated rate of 4.460% (effective rate of 4.460%), due May 11/17.	2,600	2,600
CPP Investment Board of \$5,000,000, stated rate of 4.450% (effective rate of 4.450%), due Mar 3/18.	5,000	5,000
CPP Investment Board of \$4,500,000, stated rate of 4.160% (effective rate of 4.160%), due Sep 01/19.	4,500	4,500
CPP Investment Board of \$5,093,000, stated rate of 4.140% (effective rate of 4.140%), due Mar 1/20.	5,093	-
CPP Investment Board of \$2,100,000, stated rate of 5.320% (effective rate of 5.320%), due Mar 1/24.	2,100	2,100
CPP Investment Board of \$1,700,000, stated rate of 5.050% (effective rate of 5.050%), due Apr 10/25.	1,700	1,700
CPP Investment Board of \$9,000,000, stated rate of 4.320% (effective rate of 4.320%), due Dec 3/30.	9,000	-
	\$ 39,800	\$ 25,707

These loans are payable to the Province of Saskatchewan's GRF with interest payable semi-annually.

Long-term debt repayments in each of the next five years are as follows:

	(Thousands)
2011	\$ -
2012	-
2013	5,000
2014	-
2015	2,407
	\$ 7,407

9. Long-Term Debt – continued

Interest on long-term debt for the year using the effective interest method is as follows:

	2010	2009
	(Thousands)	
Interest on long-term debt – Expensed	\$ 1,293	\$ 1,151
Interest on long-term debt – Capitalized	30	–
Amortization of financing costs	–	(10)

10. Other Long-Term Obligations

The amounts related to the defined benefit retiring allowance plan for executive, management employees and members of the Communications, Energy and Paperworkers Union are as follows:

	2010	2009
	(Thousands)	
Accrued benefit liability	\$ 335	\$ 319
Benefits paid during the year	\$ 42	\$ –
Net expense	\$ 58	\$ 63

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit liability at December 31 are:

Discount rate	4.70%	5.50%
Inflation rate	2.50%	2.50%
Average remaining service life	18.8 years	16.5 years

11. Equity Advance and Capital Disclosure

The Corporation does not have share capital. However, the Corporation has received advances from CIC to form its equity capitalization. The advances reflect an equity investment in the Corporation by CIC.

The Corporation's debt management plan is built on the goal of ensuring the capacity to meet long term obligations and ensuring financial health, while achieving the growth plans of the Corporation.

As a Crown corporation, SaskWater receives its long-term capital funding primarily from the Saskatchewan Ministry of Finance. SaskWater also has access to a \$55 million line of credit (Note 7) extended by the Saskatchewan Ministry of Finance which is used to manage short-term liquidity.

Notes to the Financial Statements

December 31, 2010

11. Equity Advance and Capital Disclosure – continued

The Corporation's capital consists of notes payable, long-term debt and equity, less debt retirement funds.

The Corporation monitors capital on the basis of the debt ratio. The current long-term debt ratio target is 60%, which is consistent with the prior period. The debt ratio is calculated as net debt divided by end of period capitalization as follows:

	2010	2009
	(Thousands)	
Gross long-term debt	\$ 39,800	\$ 25,707
Notes payable	15,066	23,426
Debt retirement funds	(4,661)	(2,813)
Net debt	50,205	46,320
Total equity	41,401	33,177
Capitalization	\$ 91,606	\$ 79,497
Debt ratio	54.8%	58.3%

The Corporation has complied with all externally imposed restrictions on its debt for the year ended December 31, 2010.

12. Commitments and Contingencies

Contractual Commitments

As of December 31, 2010, the Corporation has outstanding commitments of \$32,860,000 (2009 - \$26,263,000) for construction contracts and consulting agreements primarily relating to assets under construction and other service contracts.

Leases

The Corporation has entered into various operating lease agreements with the following minimum lease payments:

	(Thousands)	
2011	\$	330
2012		321
2013		297
2014		267
2015 and subsequent		523
	\$	1,738

12. Commitments and Contingencies – continued

Litigation

The Corporation has provided, in its accounts, for any known claims from lawsuits or other legal proceedings for which there is material risk of liability to the Corporation in accordance with management's best estimates and the advice received from legal counsel. The Corporation intends to account for any differences which may arise between amounts provided and amounts expended in the period in which the claims are resolved.

13. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties).

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms except for revenue which is at rates negotiated between SaskWater and related parties. These transactions, and amounts outstanding at year end, are as follows:

	2010	2009
	(Thousands)	
Accounts receivable	\$ 183	\$ 106
Accounts payable and accrued liabilities	738	423
Revenue	886	774
Expenses	3,522	3,396

In addition, the Corporation pays Saskatchewan Provincial Sales Tax to Saskatchewan's Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other amounts and transactions due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

14. Pension Plan

SaskWater's employees participate in the Capital Pension Plan (the Plan), a defined contribution pension plan which is sponsored by CIC. The Corporation's contributions to the Plan include making regular payments into the Plan equal to 160% of the required amounts contributed by employees for current service. The total amount paid to the Plan for 2010 was \$524,000 (2009 - \$466,000).

Notes to the Financial Statements

December 31, 2010

15. Financial Instruments & Risk Management

The Corporation's financial instruments consist of cash, accounts receivable and advances, long-term receivables, investments in debt retirement funds, accounts payable and accrued liabilities, notes payable and long-term debt which, by their nature, are subject to risks.

Fair Values

The following summarizes the classification, carrying amounts and fair values of the Corporation's financial instruments:

				2010		2009	
				(Thousands)			
	Classification ¹	Level ²		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets							
Cash	HFT	1	\$	25,609	\$ 25,609	\$ 236	\$ 236
Accounts Receivable and Advances	L&R	N/A		9,449	9,449	4,371	4,371
Long-term Receivables	L&R	N/A		249	249	346	346
Debt Retirement Funds	HFT	2		4,661	4,661	2,813	2,813
Financial Liabilities							
Accounts Receivable and Accrued Liabilities	OL	N/A		6,047	6,047	4,972	4,972
Notes Payable	OL	N/A		15,066	15,066	23,426	23,426
Long-term Debt	OL	2		39,800	41,743	25,707	26,586
Infrastructure Deposits	OL	N/A		25,979	25,979	-	-

¹ Classification details are as follows:

AFS – Available for Sale

HFT – Held for Trading

L&R – Loans and Receivables

OL – Other Liabilities

² Fair values are determined using a fair value hierarchy as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included in level 1 that are observable for the asset or liability.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

Not applicable (N/A) – Financial instruments, including accounts receivable and advances and accounts payable and accrued liabilities are measured using the approximate carrying value as the fair value due to the short period to maturity.

15. Financial Instruments & Risk Management – continued

The estimated fair values of these financial instruments have been determined based on the following methods and assumptions, and may not represent the amounts that could be realized upon settlement.

All long-term debt obligations are estimated using discounted cash flow analysis based on current market yields for similar arrangements (Level 2). Debt retirement funds are valued at closing period-end unit prices received from the Saskatchewan Ministry of Finance (Level 2).

Market Risk – Commodity Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Debt retirement funds are monies set aside to retire outstanding debt upon maturity. The Corporation is required to pay annually into debt retirement funds which are held and invested by the Saskatchewan Ministry of Finance. The Corporation has classified these investments as held for trading and therefore recognized the change in the market value in net income for the period. The impact of fluctuations in market prices related to these investments will not be significant, therefore management has not provided a sensitivity analysis of the impact.

Market Risk – Interest Rate Risk

The Corporation is exposed to interest rate risk on the maturity of its long-term debt. However, in the current low interest rate environment, these risks are considered low. Interest rate risk on these expected future borrowings are managed, based on the refinancing needs of the Corporation, using derivative financial instruments when deemed appropriate. The Corporation has no financial contracts in place to offset interest rate risk as of December 31, 2010. The change in rate would have no impact on net income due to classification of long-term debt as other liabilities.

Market Risk – Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Corporation is exposed to currency risk, primarily US dollars, through transactions with foreign suppliers and short-term foreign commitments. The Corporation uses a combination of derivative financial instruments to manage these exposures when deemed appropriate. The Corporation does not actively trade derivative financial instruments. At December 31, 2010, there were no derivative financial instruments outstanding.

Liquidity Risk

Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due. SaskWater manages the Corporation's cash resources based on financial forecasts and anticipated cash flows. The following summarizes the contractual maturities of the Corporation's financial liabilities at December 31, 2010:

Notes to the Financial Statements

December 31, 2010

15. Financial Instruments & Risk Management – continued

	(Thousands)				
	6 months or less	7 - 12 months	Subsequent 1 year	Subsequent 3 - 5 years	More than 5 years
Accounts Payable	\$ 6,047	\$ -	\$ -	\$ -	\$ -
Notes Payable	15,108	-	-	-	-
Long-term debt	859	858	1,717	12,179	42,469
	\$ 22,014	\$ 858	\$ 1,717	\$ 12,179	\$ 42,469

Future cash flows from operations and availability under existing credit facilities will be adequate to support these financial liabilities.

Credit Risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk relate to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Corporation is not exposed to a significant concentration of credit risk. The maximum credit risk to which the Corporation is exposed as at December 31, 2010, is limited to the fair value of the financial assets recognized as follows:

	2010	2009
	(Thousands)	
Cash	\$ 25,609	\$ 236
Accounts receivables and advances		
Current	5,190	2,261
31 - 60 days	279	101
61 - 90 days	7	153
Over 90 days	357	758
Subtotal	5,833	3,273
Allowance	(260)	(248)
	5,573	3,025
Accrued receivables and advances	3,876	1,346
Debt retirement funds	4,661	2,813
	\$ 39,719	\$ 7,420

15. Financial Instruments & Risk Management – continued

Provisions for credit losses are maintained and regularly reviewed by the Corporation based on an estimate of outstanding amounts that are considered uncollectible. Historically, the Corporation has not written-off a significant portion of its accounts receivable balances. At December 31, 2010, the Corporation had a balance of \$260,000 (2009 - \$248,000) recorded in the allowance for doubtful accounts.

Debt retirement funds are on deposit with, and being administered by, the Saskatchewan Ministry of Finance. At December 31, 2010, the Ministry has invested these funds primarily in Provincial government and Federal government bonds with varying maturities to coincide with related long-term debt maturities and are managed based on this maturity profile and market conditions. As such, the related credit risk associated with these investments as at December 31, 2010, is considered low.

16. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

Corporate Governance

Corporate governance is generally accepted as the set of processes, customs, policies, laws and institutions that affect how a corporation is directed, administered or controlled. Corporate governance includes the relationships among the stakeholders involved, and the goals for which the corporation is governed. Effective corporate governance results in a well-run, high-performing and transparent organization, accountable to the public it serves. The shareholder, management and board of directors are instrumental to achieving effective corporate governance.

A. Authority

SaskWater is a statutory Crown corporation governed by The Saskatchewan Water Corporation Act, 2002, and is subject to the provisions of The Crown Corporation Act, 1993. Crown Investments Corporation of Saskatchewan (CIC), SaskWater's holding company, has the legislative authority to oversee and direct SaskWater.

On behalf of the Board of Directors, an independent director holds position of Chair, accountable to CIC and reporting to the Minister Responsible for Crown Investments Corporation the Honourable Tim McMillan. The Minister is a key link between SaskWater, CIC Board, Cabinet, the Legislature and the public.

On June 29, 2010 the Honourable Dustin Duncan was appointed Minister Responsible for SaskWater.

B. Board of Directors

Responsibilities and duties

The Board is responsible for SaskWater's stewardship, while fostering success consistent with SaskWater's mandate. The Board works with management to oversee corporate operations, including:

- setting corporate direction;
- guiding strategic planning processes;
- executing performance evaluations; annual and quarterly monitoring and reporting functions;
- assisting in business plan development and approval; and,
- monitoring processes and systems used to achieve sustainable operations.

The SaskWater Board of Directors met eight (8) times in 2010.

C. Board composition

The SaskWater Board consists of eight (8) independent directors. All are appointed for a set term by the Lieutenant Governor in Council, who also designates the Chair and Vice Chair.

D. Committees

The Board has established three (3) standing committees to undertake detailed reviews and provide in-depth supervision in key areas of responsibility. The Committees of the Board are:

- Audit and Finance;
- Governance; and,
- Corporate Social Responsibility and Sustainability.

Audit and Finance Committee – held five (5) meetings

Members: Ken Hookway (Chair), Glen Rittinger, Larry Burechailo, Garry Moroz

The Audit and Finance Committee helps the Board fulfill its financial accountability by:

- overseeing the corporation's budget, financial operations and results;
- reviewing internal controls established by management and the Board;
- participating in internal and external audit processes;
- monitoring the adequacy and condition of capital assets;
- reviewing and making recommendations on capital activities; and,
- ensuring appropriate systems are in place to identify and manage risk.

Governance Committee – held three (3) meetings

Members: Gary Vidal (Chair), Lionel LaBelle, Brenda Merasty, Jordan Bergermann

The Governance Committee reviews, develops and maintains SaskWater's governance practices and oversees the Board's nominating and governance activities, including:

- evaluating the performance of Board committees, Board Chair, individual directors and the President/CEO;
- recommending Board and Committee structure, composition and mandate;
- ensuring Board orientation and opportunities for professional development; and,
- articulating the roles and responsibilities of the Board.

SaskWater's corporate governance practices are benchmarked against CSA's Corporate Governance Guidelines. SaskWater's Corporate Governance Policies and Practices can be found at www.saskwater.com

Corporate Social Responsibility and Sustainability Committee – held two (2) meetings

Members: Brenda Merasty (Chair), Lionel LaBelle, Gary Vidal, Jordan Bergermann

The Corporate Social Responsibility and Sustainability Committee was established to assist SaskWater in becoming a leader in utilizing sustainability policy and best practices. This includes:

- helping to develop and implement a corporate sustainability policy;
- reviewing recommended policies, procedures and practices;
- reviewing and monitoring compliance with legislation and statutory environmental and sustainability laws and regulations; and,
- identifying potential environmental risks.

Terms of Reference outlining the specific scope, duties and responsibilities of the SaskWater Board of Directors and Committees are available upon request by contacting the Corporate Secretary to the Board.

E. Governance practices

In substantial alignment with current industry best practices, SaskWater's approach to corporate governance is consistent with the Canadian Securities Administrators' (CSA) Corporate Governance Guidelines and Disclosure Practices. These guidelines address areas of responsibility for effective corporate governance, including responsibility for stewardship of the Corporation, the Board's role, and ensuring proper function of the Board, while maintaining its fiduciary obligation to the Corporation.

Board of Directors

Chair, Glen D. Rittinger FCA, CFP **Swift Current**

- Partner with Stark & Marsh, Chartered Accountants
- Past instructor at the University of Regina and Athabasca College
- Past council member for Institute of Chartered Accountants of Saskatchewan and a past member of the Liability Insurance Committee for the Institute of Chartered Accountants of Saskatchewan, and Saskatchewan representative to the Interprovincial Task Force on Multidisciplinary Activities. Current member of the professional conduct committee
- Holds a B. Comm. from the University of Saskatchewan
- CA 1976 FCA 1992
- CFP 1999
- Past president of the Swift Current Kiwanis and the Swift Current Minor Hockey Association

Vice Chair, Lionel LaBelle **Saskatoon**

- President and CEO of Saskatchewan Trade and Export Partnership
- Previously worked as manager, partner, president and chairman of the board for several public and private corporations focused on agri-business, construction and the manufacturing industry
- In 2001 took on an advocacy role in the development of the biofuels industry both in Saskatchewan and Canada

Larry Burechailo **Rosetown**

- Past Councillor and Deputy Mayor of Coteau Beach Resort Village
- Works at SaskPower, has represented CEP provincially on the SaskPower Safety Network Committee, and operates a farm
- Previously worked in the automotive wholesale industry in sales and as working

partner, and served in the 2NSR Army Reserves

- Long time member of the Royal Canadian Legion and served seven years elected to Provincial Command
- Appointed as director on the Mid Sask Enterprise Region Board in 2009

Ken Hookway **Melfort**

- Agricultural Lending Specialist with Advantage Credit Union
- Employed in the banking industry for the past 34 years, 28 years in Western Canada and has served in Saskatchewan since 1988
- Served as a director on many boards and committees such as the local Kinsmen Club, local United Church, Melfort Mustangs Junior Hockey Club, Melfort Chamber of Commerce and the University of Saskatchewan Regional Advisory Committee

Gary Vidal CGA **Meadow Lake**

- Partner in the firm Pliska Vidal & Co.
- Over 21 years of experience in the accounting profession
- Serves on various boards and committees in his community
- Earned designation as Certified General Accountant in 1994

Garry G. Moroz **Pelly**

- Operates a registered seed farm with both registered and commercial grain, and promotes crop care products for major chemical companies
- Previously worked as credit manager and regional sales manager for a major farm equipment manufacturer, and as owner of a farm equipment business
- Helped to establish a breeder hog barn in the Pelly area, and has been involved with the RM of St. Phillips

- Graduate of Assiniboine Community College at Brandon - Agricultural Sales and Management

Brenda Merasty **Saskatoon**

- Senior Policy Analyst, Post Secondary Education with Assembly of First Nations (AFN)
- Previously worked at the Saskatchewan Indian Institute of Technologies (SIIT) and as educational consultant and teacher
- Researched and implemented programs, strategies and conferences designed to advance and promote child and youth education, mentorship, community asset mapping/building, and address First Nations health issues
- Received a Masters Degree in Educational Administration from the University of Saskatchewan

Jordan C. Bergermann **Muenster**

- Councillor of the RM of Humboldt since 2005 (Reeve 2007 - present)
- Grain and livestock farmer, semi-retired in 2005
- Represents the RM of Humboldt on the Lanigan/Dellwood Watershed Association Board
- Appointed municipal representative to the Lake Lenore - Houghton Lake Planning Committee
- Began public office service in 1974 with the Muenster School Board as board member from 1974 to 1988 (chairman for nine years)
- Elected to the Humboldt Rural School Division 1988 to 1997 (chairman for six years)

Terry Ross

- Corporate Secretary to the Board of Directors, Crown Investments Corporation



From left to right: Glen D. Rittinger, Garry G. Moroz, Jordan C. Bergermann, Larry Burechailo, Lionel LaBelle, Ken Hookway, Gary Vidal. Missing: Brenda Merasty.

Corporate Directory

Doug Matthies, President

Dean Bellegarde, Aboriginal Advisor to the President

Operations and Engineering

Mart Cram, Vice President, Operations and Engineering

Eric Light, Director, Engineering

Jeff Mander, Director, District Operations

Rynette Moore-Guillaume, Manager, Special Services

Glen Gillis, Manager, Northern Engineering

Shahid Khan, Manager, Water & Wastewater Engineering

Business Development and Corporate Services

Marie Alexander, Acting Vice President, Business Development and Corporate Services

Randy Avery, Director, Business Development

Brenda Stewart, Acting Manager, Human Resources

Danny Bollinger, Manager, Financial Services

Ingrid Newton, Manager, Policy and Planning

Kim Cave, Manager, Administration and Facility Services

Monty Gendall, General Counsel

Gayle Zimmerman, Manager, Corporate Communications

Office Locations

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Prince Albert Office

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McIntosh Mall

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SaskWater uses Environmentally Responsible Papers. By choosing 30% Post Consumer Recycled fibre instead of virgin paper for SaskWater's Annual Report, the following savings to our natural resources were realized:

Energy not consumed – 1 Million BTUs

Wood saved – 415 kg

Wastewater (water saved) – 4,215 litres

Solid waste (landfill reduced) – 30.25 kg

Net greenhouse gases prevented – 100 kg CO₂ equiv

This information is based on use of the following products with 30% PCW: 750 sheets of Chorus Art Silk Cover 100lb 19x25-183M and 7000 sheets of Chorus Art Silk Text 80lb 19 x 25 - 80M.

Data research provided by www.epa.gov and www.environmentaldefence.org.

